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IDAHO PUBLIC
UTILITIES COMMISSION

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December 5, 2014

Via Hand Delivery

Jean Jewell, Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, Idaho 83720

Re: Case No UWI-W-14-01
United Water Idaho Inc. and Brian Subdivision Water Users Association

Dear Ms. Jewell:

Enclosed for filing is an original and seven (7) copies of United Water Idaho Inc.'s Reply Comments.

Kindly return a stamped copy.

Very Truly Yours,

McDevitt & Miller LLP



Dean J. Miller

DJM/hh

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Attorney for United Water Idaho Inc.

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE JOINT
APPLICATION OF UNITED WATER
IDAHO INC., AND BRIAN SUBDIVISION
WATER USERS ASSOCIATION FOR
APPROVAL OF AN AMENDMENT TO
CERTIFICATE OF PUBLIC
CONVENIENCE AND NECESSITY NO.
143; APPROVAL OF AN AGREEMENT
FOR CONNECTION AND TRANSFER OF
WATER SYSTEMS; APPROVAL OF
RATES AND CHARGES**

Case No. UWI-W-14-01

REPLY COMMENTS

COMES NOW United Water Idaho Inc., (United Water) and submits the following Reply Comments in response to Staff Comments dated November 25, 2014.

Upon review of Staff Comments, United Water believes that Staff conducted a thorough analysis of the proposal contained in the Joint Application of United Water and Brian Subdivision Water Users Association (BSWUA). With small exceptions, explained below, United Water concurs with Staff's Recommendations which are itemized on pages 10-11 of Staff Comments.

In these Reply Comments, United Water identifies only a few items that would benefit from clarification or minor revision of the Commission's Final Order. Those items are:

- Accounting treatment of investments;
- One-time payment by former BSWUA customers;
- Connection of customers not currently members of BSWUA;
- Applicability of budget billing.

Accounting Treatment

Staff Comments endorse, in general, United Water's proposals that it be permitted to continue recording an Allowance for Funds Used During Construction (AFUDC) after completion of the project and that in United Water's next general rate proceeding the investment be included in rates at its full amount, and not subject to the thirteen month averaging methodology, if that methodology would otherwise apply. (Application, Pg. 5). Staff Comments describe this accounting treatment as follows (Staff Comments, Pg. 9):

- United Water will capitalize and defer these expenditures, subject to audit, in a separate subaccount;
- After completion of the project all expenditures not collected by the surcharge will continue to be subject to AFUDC until included in rates; and
- When this project is included in rates, it will not be subject to the thirteen-month average methodology but will be included in rates for the full year.

After review of Staff Comments, United Water representatives conferred with Staff representatives with a view toward more clearly understanding the intended accounting treatment described in Staff's Comments. Based thereon, Staff and United Water reached common understanding that the Commission's Final Order describes the authorized accounting treatment as follows:

United Water will record capitalized plant investments subject to audit in a separate subaccount. To the extent they occur, non-capital related expenses associated with the project are to be recorded in a separate deferred account for future consideration by the Commission.

All capitalized project construction expenditures not supported through revenue collected from the surcharge will continue to be subject to AFUDC until included in rates. It was agreed that this portion of the expenditures referred to the 90% of the trued up costs of the main line installation to connect the systems.

When this project is included in rates, it will not be subject to the thirteen-month average methodology but will be included in rates for the full year.

One-Time Payment

In its Application and Testimony, United Water proposed that BSWUA customers who wished to avoid monthly surcharge payments could elect a one-time lump sum payment, with the election to be made within thirty days of connection. Staff Comments recommend that customers be provided the option to pay the present value of the remaining surcharge payments in a lump sum at any time during the surcharge timeframe. (Staff Comments, Pg. 8).

United Water's proposal for a limited election period was based on a concern that unlimited election options would open the door to forty-six different customers each choosing a different payment plan and imposing a burden on United Water in trying to administer multiple plans.

While the administrative burden of unlimited election remains a concern, after conferring with Commission Staff and BSWUA representatives, United Water will not object to a requirement that former BSWUA customers be allowed to make a lump sum payment in the amount of the present value of the remaining surcharge at any time during the surcharge period.

United Water still requests that BSWUA customers make their initial payment option election (surcharge or present value lump sum) within thirty days of connection to United Water's system.

Connection of Other Customers

As noted in Staff Comments, there are two homes in the Brian Subdivision not connected to the BSWUA system. In its Application and Testimony United Water proposed that, if in the future, these customers desired to connect to the system as operated by United Water, the customers would pay the costs of interconnection (if any) pursuant to United Water's Rules and Regulations, but not pay the surcharge amount. The rationale for this proposal, in part, is that when connecting a new customer United Water does not have authority to assess charges that are not contained in its Rules and Regulations.

Staff Comments, however, recommend that if these customers desire to connect in the future they should pay the surcharge for the remainder of the surcharge period or a lump sum for the remaining payments.

United Water adheres to its view that the surcharge, or some part thereof, should not be assessed against these potential future customers. The surcharge amount to be assessed against the existing BSWUA customers will be calculated so as to fully support the portion of costs allocated to BSWUA customers.

Budget Billing

Staff Comments recommend that former BSWUA customers be allowed to enroll in United Water's Residential Budget Bill Plan. United Water does not object to this recommendation and would make the Budget Bill Plan available to former BSWUA customers.

Staff Comments, however, go on to recommend that the Budget Bill amount be based on calculations from Brian Water usage records (Staff Comments, Pg. 10). This aspect of Staff's recommendation is impracticable and unfeasible. First, under United Water's Budget Bill Program, the amount of budget bill payments is based on previous dollar amount of bills, not usage. Staff's recommendations would require computing hypothetical bill amounts assuming previous consumption levels priced at United Water rates. Second, it is possible that a customer's consumption pattern under BSWUA rates will not be an accurate predictor of consumption patterns under United Water rates. BSWUA rates, for example, do not include a summer-winter differential similar to United Water's rate structure, and the summer-winter differential has been shown to affect consumption habits.

Therefore, United Water recommends that former BSWUA customers be permitted to enroll in the Budget Bill program, on the same terms applicable to all other United Water customers. Those qualifications are spelled out in United Water's Rule No. 41, which requires a customer to have a minimum of twelve months consecutive service, and that the budget pay amount be the twelve-month average of the most current six-month bi-monthly bills.

Summary of United Water Recommendations

As noted, United Water concurs with Staff's general recommendation to approve the proposed transaction. United Water, however, recommends that the Commission's Final Order contain the foregoing provisions, which vary slightly from Staff's list of recommendations at Pgs. 10-11 of Staff Comments.

Attached to Staff Comments as Attachment 3, is a revised form of proposed tariff Schedule 1C. United Water agrees that the Commission may approve the form of the proposed Schedule, to be filed at the appropriate time.

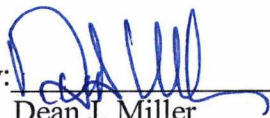
Fully Submitted and BSWUA Concurrence

The Commission's Notice of Application, Order No. 33154, set a reply deadline for United Water of December 12, 2014. United Water is submitting these Reply Comments in advance of that date to allow for prompt deliberation by the Commission. United Water considers this matter to be fully submitted.

The undersigned is authorized to state that BSWUA concurs with these Reply Comments and it also agrees the matter may be considered fully submitted.

DATED this 5 day of December, 2014.

UNITED WATER IDAHO INC.

By: 
Dean J. Miller
Attorney for United Water

CERTIFICATE OF SERVICE

I hereby certify that on the 5th day of December, 2014, I caused to be served, via the method(s) indicated below, true and correct copies of the foregoing document, upon:

Jean Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
P.O. Box 83720
Boise, ID 83720-0074
jjewell@puc.state.id.us

Hand Delivered
U.S. Mail
Fax
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☒
☐
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BY: Heather Houle
MCDEVITT & MILLER LLP